Professor Smart has, in these essays, demonstrated admirably the strength of the deductive-analytic method in certain fields of economic science. He has rare skill in seizing typical facts, in bringing them into relation with each other in such a way as to reach sound general law. His method does not involve ignorance of fact, or neglect of fact, for he shows everywhere that his typical fact is chosen because it is a well ascertained fact.

His work shows the synthetic tendency in the latest economics, a tendency to so use the results of particular research advocated by the historical school that the laws of the classical writers, so far as they contain truth for the present, can be restated in the setting of our new facts. In this way it is seen that the work of the classical school is not obsolete. There is a vital continuity running through their works, through the work of the historical school, and through the efforts of the Austrians. Writers like Smart are combining the strength in all these tendencies into a new method and a new science.

Some of the specific influences which have helped to form his work he himself mentions, his early and extensive business experience, his fondness for Ruskin and Carlyle, and his studies in the Austrian writers. Love for fact, keenness and power in constructive reasoning, and a spirit of broad humanity are all conspicuous traits of the writer. Add to these a terse, clear style, easy in movement, luminous in diction, ample, but never superfluous in content—the result is work of high merit. Little of importance can be said of it, which is not praise.

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Money and Banking. Illustrated by American History. By HORACE WHITE. Pp. 488. Price, $1.50. Boston: Ginn & Co., 1895.

Horace White has done for banking in the United States a work similar in some respects to that done by Mr. Breckenridge for banking in Canada. Mr. White's "Money and Banking," while not so thorough a treatise as Mr. Breckenridge's, has the advantage of a clear and taking style, is compact and well arranged, and its information is made accessible by an index. The book is divided into two parts. The first treats of the evolution of money and of the world's experience with the gold standard. The second treats of representative money, under this head being included all forms of fiat money and bank note issues. In the appendices are given accounts of bimetallist movements in Germany, a sketch of Mr. Shaw's "History of Currency," the Baltimore plan, and Secretary Carlisle's plan for revision of the national banking law, the gold price of greenbacks during suspension of specie payments, and the Gresham law. A handy bibliography closes the volume.

Mr. White's work deserves commendation principally on account of the clear light which he throws upon the banking question. His descriptions of the functions of a bank, of the clearing house system, and of American banking before and since the Revolution, all comprised within two hundred pages, make a story which can be comprehended by a high school boy. It is a story which should be familiar to every educated American citizen, and has never been better told than by Mr. White. He finds more to praise than to condemn in the plan on which the first and second banks of the United States were established, and unlike some historians attributes the disasters and scandals connected with the operations of these banks, not to unsound banking, but rather to political interference. These chapters will be interesting to persons who wish now to extend the banking functions of the National Treasury.

Mr. White describes in some detail the conditions which gave rise to the method of redemption adopted by the famous Suffolk bank. In his opinion the experience of Massachusetts has furnished almost conclusive evidence that the "Banking Principle," when safeguarded by provisions that have stood the test of experience, will yield the safest, soundest and most useful system of banking. The business of banking in New York, he shows, resulted in placing the stamp of approval on the safety fund system, and Mr. White is pretty clearly of the opinion that the best system of banking for this or any country must comprise the advantage of the Suffolk system and the safety fund. He describes the national banking system and gives a qualified approval of the Baltimore plan, believing that it embodies the essential features of the Canadian system. This plan, however, does not make any provision for a branch banking system and does make the bank-note practically a legal tender to all banks, inasmuch as their redemption is guaranteed by the United States. Evidently, therefore, there is lacking in this plan that feature of the Canadian system which secures the daily redemption of notes and the constant supervision of banking operations by the most competent inspectors, namely, the bankers themselves. As Mr. White remarks, however, we cannot hope to perfect our system by one act, but must be satisfied with gradual improvements. Nevertheless we must not lose sight of the danger that lurks in an unsecured circulation. If the banking laws of this country are to be revised, no safeguards that have stood the tests of experience should be ignored. The banking principle may, indeed, be the soundest, yet if adopted under circumstances which render unnecessary a development of those natural safeguards which make it sound, it may open the door wide for rascality.

Mr. White's treatment of money errs on the side of dogmatism. He

belongs to the extreme wing of the monometallic school, which practically declines to combat the arguments for bimetallism on the ground that there are no arguments to combat. His discussion of money, therefore, is in the main an exposition of the advantages of the gold standard. It is really a special plea for that standard, yet a pretense is made to the statement and consideration of adverse arguments, just enough, perhaps, to convince the general and uninformed reader that he has both sides of the case before him. Mr. White has undoubtedly tried to be fair in his statement of the bimetallists' contention, yet he is so thoroughly convinced of its worthlessness that he cannot patiently or respectfully consider it.

Recognizing the fact that the bimetallic theory rests upon the so-called quantity theory of money, Mr. White devotes one chapter to its demolition. The thing which he demolishes, however, is not the quantity theory at all, but the notion that prices must rise or fall as the volume of money increases or decreases. No such conclusion is deducible from the quantity theory as set forth by any recent writer of repute, and the theory is certainly not to be condemned because some people misunderstand and misuse it. An uninformed reader will get the impression from Mr. White's chapter that the quantity theory lacks the support of scientific authority. General Walker and his father are the only economists who are mentioned as its advocates. Why omit the name of John Stuart Mill? He declared: "That an increase in the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others." Every student of Mill knows with what thoroughness he pointed out the "cautions with which the principle must be guarded in attempting to make use of it for the practical explanation of phenomena." Mill, as does Walker also, recognized fully the effect of credit and demand upon prices, and the impossibility of a precise estimate of their effect. Mr. White condemns the theory because of these indeterminate factors—credit and demand—but he offers no substitute, except the general statement that money is a commodity and that "all trade is barter, even when the precious metals are employed as intermediaries."

When Mr. White gets into "the practical explanation of phenomena" he completely forgets his theoretical scorn of the quantity theory. For instance, in opening his discussion of paper money he remarks that money is "an instrument of exchange," and "there may be too many or too few of these instruments at any time or place, as there may be too many or too few carts or wheelbarrows." Hence, if a government issues $100,000 paper money, and "if the conditions of trade and industry remain the same, there will now be 100,000 too

many instruments of exchange and the surplus will be exported." That is about as bold a deduction from the quantity theory as can be conceived. Again, praising the "Bullion Report," he says that it proved, "with as much certainty as any proposition in Euclid, that the paper currency had depreciated, and that the depreciation was due to its redundancy." Such a claim for the quantity theory it is doubtful if General Walker himself would make. Mr. White is, in reality, an adherent of the quantitative school of theorists, although he does not seem to be aware of the fact. On page 119, he says: "Barring public alarm and apprehension, the value of the currency [he is discussing paper money] will be governed by the law of supply and demand, *i. e.*, the supply of and the demand for instruments of exchange." And on page 197, discussing the purchasing power of greenbacks in 1869 and 1870, he says: "The supply of instruments of exchange was the same at both periods, but the demand for them was greater at the second period than at the first. For this reason they gained in value to the extent of about 15 per cent." Such instances of reliance upon the theory of demand and supply, of which "quantity theory" is only another name, recur frequently in the book, and one is led to wonder why the author should make such vigorous assault upon it.

It would appear that Mr. White dislikes the quantity theory mainly because of the friends it has made. It is the mainstay of bimetallism, and in this country of late the advocates of the free coinage of silver have made constant and marvelous use of it. As a believer in the gold standard during troublous times, Mr. White has doubtless grown weary of hearing the enemy always harping on the "quantity theory," and has concluded that the best way to silence them is to kill off the theory. That would be all right, of course, if as an expounder of monetary phenomena he did not forget that the theory is dead. But while as an advocate he has killed the quantity theory, yet as a historian he gives it the respect due to the most exact of mathematical sciences.

It is hardly fair to assume, as the author does in discussing India, that silver has declined in value merely because its gold price has fallen. He calmly makes this assumption, however, and then easily proves that India's wage-earners must have suffered in consequence. To anticipate the objection that the purchasing power of wages has not changed in India, he declares that the evidence shows that "during recent years the silver price of Indian produce has risen" and that rice has "more than doubled in price since the rupee began to fall." In support of these assertions he refers to the testimony of a witness before Lord Herschell's committee in 1892.

However, it was hardly fair for Mr. White to omit to say that the evidence submitted convinced the committee that the price level in India had not been much changed during the last twenty years, although there had been some advance in very recent years; and as for rice, witnesses on all sides agreed that its price was regulated by a monopoly, so that the price of rice in gold-using countries has been kept steady. Such was the testimony of Sir Charles E. Bernard, an officer of the Indian government, and he is abundantly corroborated by other witnesses. But Mr. White appears to be so anxious to win the reader over to unquestioning faith in the gold standard, that he neglects to tell all the truth about India. Likewise, when discussing the contention that an "alleged fall of prices" has been caused by the single gold standard, he quotes with emphatic approval the report of the Senate Committee on Finance, which showed that wages and prices have risen since 1873, and then, although accepting this report as authoritative, denies that there has been any appreciation of gold. And this denial immediately follows two paragraphs devoted to proving that low prices are beneficial to mankind and generally acceptable, as is indicated by the fact that "all who advertise in the newspapers proclaim low prices." "Is it possible," asks the author, "that these advertisers misconceive the public interests?"

I am under no temptation to quarrel with the author's conclusions respecting the maintenance of the gold standard in this country. He does not "misconceive the public interest" concerning the main issue, but his book, or that part of it treating of money, is not likely to win friends for the gold standard. It is just the kind of a plea for the gold standard which will do harm at the present time, for the public are still debating the question, and the man who relies upon this book for his argument will surely meet with discomfiture in the forum. From every other point of view, however, it is admirably conceived and executed. It is not a history of American experiments with the currency, yet it describes with great clearness those experiments which have been most instructive and possess greatest significance at the present time. In no other book do we find so compact and intelligible chapters on the monetary and financial expedients adopted during the War of the Rebellion by the Federal Government and by the Southern Confederacy. There is a vivid description of the "gold room," a good summary of the Legal Tender Decisions, and a clear discussion of recent financial exigencies. In short, Mr. White has proved himself an entertaining and useful historian, and it is a pity that he has suffered theory and dialectics to spoil his good work.

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